

**STAFF MEETING MINUTES
LANCASTER COUNTY BOARD OF COMMISSIONERS
COUNTY-CITY BUILDING
ROOM 113
TUESDAY, SEPTEMBER 28, 2004
10 A.M.**

Commissioners Present: Ray Stevens, Chair
Larry Hudkins, Vice Chair
Bernie Heier
Bob Workman
Deb Schorr

Others Present: Kerry Eagan, Chief Administrative Officer
Trish Owen, Chief Deputy County Clerk
Ann Taylor, County Clerk's Office

The Chair opened the meeting at 10:02 a.m.

AGENDA ITEM

**1 APPROVAL OF THE STAFF MEETING MINUTES OF THURSDAY,
SEPTEMBER 23, 2004**

MOTION: Heier moved and Stevens seconded approval of the Staff Meeting minutes of September 23, 2004. Heier, Stevens and Hudkins voted aye. Schorr and Workman were absent from voting. Motion carried.

Schorr arrived at 10:03 a.m.

2 ADDITIONS TO THE AGENDA

None were stated.

Workman arrived at 10:04 a.m.

**3 LANCASTER COUNTY EMPLOYEES RETIREMENT PLAN
INVESTMENT PERFORMANCE REPORT - Curt Morrow, Nationwide Retirement Solutions (NRS) Investment Services Manager; Joyce Hall, NRS Marketing Director; Chad Christensen, NRS Retirement Specialist; Kerry Eagan, Trish Owen, Doug Cyr, Tim Genuchi and Ron Busch, Pension Review Committee**

Curt Morrow, Nationwide Retirement Solutions (NRS) Investment Services Manager, presented Investment Performance Report (Exhibit A), noting the following:

- Fund selection and evaluation process
- Performance analysis (Lancaster County Deferred Compensation Plan currently offers 25 options)
- Summary of recommended changes:
 - 1) Add the following funds:
 - a) Foreign Large Blend Fund - Add the EuroPacific Growth Fund (Class R3)
 - b) Large Cap Blend Fund - Add the Davis New York Venture Fund (Class A)
 - 2) Close and remove the following funds and map assets and deferrals accordingly:
 - a) Close and remove the Fidelity Magellan Fund because of performance and map assets and deferrals to the Davis New York Venture Fund (Class A) (Assets in the 457 plan are \$5,360,920 with 407 participants)
 - b) Close and remove the Waddell & Reed Advisor Accumulative Fund (Class A) because of performance and a manager change and map assets and deferrals to the Davis New York Venture Fund (Class A) (Assets in the 457 plan are \$224,651 with 59 participants)

Kerry Eagan, Chief Administrative Officer, noted that Rod Crane, Segal Advisors (formerly the Pension Plan Consultant), also recommended that Magellan be removed from the plan.

Morrow said a fund is recommended for closing, removal and mapping when the fund's performance: 1) Falls within the bottom half of its category for six consecutive quarter-ending, three-year rolling periods; or 2) Performance falls within the bottom half of the category for six of the last eight quarter-ending, three-year periods and when the one-year performance falls within the bottom half of the category.

Morrow reviewed Lancaster County Nebraska Deferred Compensation Program, Mutual Fund Quartile Performance Ranking (A history of returns for 2000, 2001 and 2002) (See Exhibit A, Page 17).

Hudkins asked NRS to provide a ten year history.

Morrow reviewed the performance of large cap blend funds, noting manager risk/return and manager style (See Exhibit A, Pages 46 & 47). He also presented an investment array performance update from Morningstar (Exhibit B).

Hudkins said he was reluctant to open up the pension plan to investment, even the employee portion, and said "some of us believe that there's one thing more important than the return on your money, and that's the return of your principal". He said the Board probably has a fiduciary responsibility to inform employees of the Fidelity Magellan Fund's performance over the last few years, but said he does not support its removal from the array. He went on to ask whether Fidelity Magellan refused to agree to commission terms that were more favorable to NRS.

Morrow said there has been no change to NRS's relationship with the Fidelity Magellan Fund and said the recommendation for removal is based on an analysis of the fund's structure, management and performance. He said it is up to the Board to determine criteria to remove a fund and said "it does not make any difference to Nationwide, financially, one way or the other".

Eagan suggested telling participants that if they wish to remain in the fund, they must affirmatively indicate their decision or their assets will be mapped to another fund. He also stressed the importance of adhering to the adopted investment policy.

Doug Cyr, Pension Review Committee, concurred. He said the committee will review the investment array on an annual basis and said the Board needs to decide what is a manageable level of fund options, especially if non-performing funds are left in the array.

Stevens asked whether the EuroPacific Growth Fund (Class R3) and Davis New York Venture Fund (Class A) could be added immediately to the investment array.

Morrow said the process typically takes eight weeks.

- MOTION:** Schorr moved and Workman seconded to institute the recommendations from Pension Review Committee and follow the plan, as outlined by Nationwide Retirement Solutions (NRS):
- 1) Add the following funds:
 - a) EuroPacific Growth Fund (Class R3) (Foreign Large Blend Fund)
 - b) Davis New York Venture Fund (Class A) (Large Cap Blend Fund)
 - 2) Close and remove the following funds and map assets and deferrals to the Davis New York Venture Fund (Class A):
 - a) Fidelity Magellan Fund
 - b) Waddell and Reed Advisor Accumulative Fund (Class A)
 - 3) Lancaster County should utilize the services and resources of Nationwide Retirement Solutions (NRS) to perform an annual review of the pension plan investment array at the end of each July

Eagan noted that the Board has already adopted the third recommendation.

The maker of the motion and seconder agreed to remove the third point, as it is redundant.

FRIENDLY AMENDMENT: Workman offered a friendly amendment to hold informational meetings for employees to explain the changes.

The maker of the motion accepted the friendly amendment and asked that Chad Christensen, NRS Retirement Specialist, be available to meet individually with employees, should they want that option.

The Board asked NRS and the Pension Review Committee to develop a schedule and education plan.

Hudkins said this is a major decision and said action is not appropriate at a Staff Meeting. He suggested that the item be scheduled for discussion at a Board of Commissioners Meeting to allow time for participants to review the information and respond.

Heier concurred.

It was noted that the elected officials, department heads, members of the Pension Review Committee and presidents of the bargaining units received an invitation to attend today's meeting.

AMENDMENT: Schorr offered an amendment to forward the motion to the October 12, 2004 Board of Commissioners Meeting agenda.

The seconder agreed to the amendment.

The Board asked NRS to give a brief presentation at that meeting.

ROLL CALL ON THE AMENDED MOTION: Workman, Schorr, Stevens, Hudkins and Heier voted aye. Motion carried.

Also present were: Don Taute, Personnel Director; Dennis Keefe, Public Defender; Norm Agena, County Assessor/Register of Deeds; Mike Thurber, Corrections Director; Linda Sanchez-Masi, Chief Deputy Clerk of the District Court; and Bill Jarrett, Chief Deputy Sheriff.

4 ADJOURNMENT

MOTION: Schorr moved and Heier seconded to adjourn the meeting at 11:33 a.m.
Workman, Schorr, Heier, Hudkins and Stevens voted aye. Motion carried.

Bruce Medcalf, Lancaster County Clerk